



# NASA Financial Management Manual

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## **FMM 9040    CRITERIA FOR RECORDING AND REPORTING OBLIGATIONS**

### **9041-1    PURPOSE**

This chapter establishes prerequisites for recording and reporting obligations (OMB Circular No. A-11, Part 4, Sections 121 and 130). Obligations (OMB Circular No. A-11, Part 1, Section 20 ) mean a legally binding agreement that will result in outlays, immediately or in the future. When you place an order, sign a contract, award a grant, purchase a service, or take other actions that require the Government to make payments to the public or from one Government account to another, you incur an obligation. A bona fide need must exist during a given period that complies with applicable laws and regulations, and must be able to support the amounts reported by the documentary evidence required by 31 U.S.C. 1501. Moreover, you are required to maintain certifications and records showing that the amounts have been obligated (31 U.S.C. 1108).

### **9041-2    APPLICABILITY**

The provisions of this chapter apply to recording and reporting of obligations under all appropriations available to Centers.

### **9041-3    REFERENCES**

- a. The "Antideficiency Act," 31 USC 1341, 1349-1351, 1501-1557.
- b. The National Aeronautics and Space Act of 1958, as amended (42 USC 2451-2477).
- c. Principles of Federal Appropriations Law, December 1992, U.S. General Accounting Office.

### **9041-4    POLICY**

- a. Obligations shall be recorded in accordance with the provisions of this chapter. In recording obligations, the following principles apply:
  - (1) Contracts entered into or orders placed for goods or services shall be executed only with a bona fide intent that the contractor or other performing activity commence work and perform the contract without unnecessary delay.
  - (2) The balance of an appropriation limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly executed within that period of availability.



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- (3) A provision of law requiring that the balance of an appropriation or fund be returned to the general fund of the Treasury at the end of a definite period does not affect the status of lawsuits or rights of action against that balance.
  - (4) Goods or services required pursuant to contracts entered into or orders placed obligating a one-year appropriation must serve a bona fide need existing in that fiscal year, unless an exception is specifically authorized by law. NASA's one-year appropriation authorizes a period of performance that may be provided during the next fiscal year for contracts for training, investigations, costs associated with personnel relocation and other services.
  - (5) A multi-year appropriation for goods or services required pursuant to contracts entered into or orders placed is available for a definite period in excess of one fiscal year. Except for the extended period of availability, multi-year appropriations are subject to the same principles applicable to annual appropriations.
  - (6) A no-year appropriation for goods or services required pursuant to contracts entered into or orders placed is available without fiscal year limitations. All statutory time limits as to when the funds may be obligated and expended are removed, and the funds remain available for these original purposes until expended.
- b. The fund availability shall be determined before an obligation is incurred and before a change is made to a contract, purchase order, or other document, which increases the amount of the original obligation. The fund availability in the projects expected to derive benefits is required for cost pools. In certain cases, however, determination of the fund availability for each transaction prior to the release of obligating documents may not be practicable (e.g., the issuance of numerous minor purchase requests by authorized persons located considerable distances from financial management offices). In these instances, special procedures may be established to meet the particular local requirement provided such procedures include adequate safeguards to ensure the availability of funds to cover the transactions. A copy of any special procedures developed shall be furnished to the Director, Financial Operations Division, NASA Headquarters for approval.
  - c. An overobligation of fund availability under the provisions of NPD 9050.3\_ exists even though the obligation is not recorded. Once having been incurred, an obligation shall be recorded promptly against the applicable fund availability.
  - d. Recorded obligations shall be adjusted for increases or decreases upon receipt of supporting documentary evidence, such as a paid voucher upon which a discount has been taken. An obligation, which is established and liquidated simultaneously by a disbursement, shall be recorded in the same manner as an obligation, which is recorded prior to disbursement.
  - e. A contingent liability is not recordable as an obligation under the provisions of this chapter. (See FMM 9041-16c for recording a liability under pending litigation.)



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- f. Center Deputy Chief Financial Officers (Finance) shall establish procedures which will ensure prompt receipt and control of documentary evidence to support obligations when complete documentation is not received promptly. Aggressive action shall be initiated to obtain such documentation. (See also FMM 9041-6o.)

## **9041-5 RESPONSIBILITIES**

### **a. HEADQUARTERS**

- (1) The Chief Financial Officer (CFO), NASA Headquarters, is responsible for overall administration of the provisions of this chapter.
- (2) The Director, Financial Operations Division, NASA Headquarters, is responsible for specific application of the provisions of this chapter.

### **b. OFFICIALS TO WHOM FUND AVAILABILITY ARE ADDRESSED**

- (1) Officials to whom fund availability are addressed are responsible for ensuring the adequacy of their administrative control practices to preclude violations of 31 USC 1341 and carrying out their responsibilities contained in paragraph 5e and Attachment A, paragraph b.(2). of NPD 9050.3.
- (2) Center Deputy Chief Financial Officers (Finance) are responsible for local administration of the provisions of this chapter, subject to functional direction from the Director, Financial Operations Division, NASA Headquarters.

## **9041-6 RECORDABLE OBLIGATIONS AND DOCUMENTATION REQUIRED**

- a. No amount may be recorded as an obligation unless supported by documentary evidence of:
  - (1) A binding agreement in writing between the parties, including Government agencies, in a manner and form and for a purpose authorized by law, executed before the expiration of the period of availability for obligation of the appropriation concerned, for specific goods to be delivered, real property to be purchased or leased, or work or services to be performed; or
  - (2) A valid loan agreement, showing the amount of the loan to be made and the terms of repayment; or
  - (3) An order required by law to be placed with a Government agency; or
  - (4) An order issued pursuant to a law authorizing purchases without advertising when necessitated by public exigency or for perishable subsistence supplies or within specific monetary limitations; or
  - (5) A grant or subsidy payable (a) from appropriations made for payment of or contributions toward sums required to be paid in specific amounts fixed by law or in accord with a formula prescribed by law, or (b) pursuant to agreement authorized by, or plans approved in accordance with and authorized by, law; or



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- (6) A liability which may result from pending litigation brought under authority of law; or
  - (7) Employment or services of persons or expenses of travel in accordance with law, and services performed by public utilities; or
  - (8) Any other legal liability of the United States against an appropriation legally available therefor.
- b. The amount evidenced by a contractual document is not recordable as an obligation until the document is:
    - (1) Signed by the contractor or other performing agency when required (which may include electronic signature),
    - (2) Signed by an authorized representative of NASA,
    - (3) Approved administratively when required, and
    - (4) Mailed or otherwise delivered to the contractor or other performing agency.
  - c. The date of mailing or other delivery of the contract determines the date the obligation is incurred. For recording purposes, except at the end of the fiscal year, delivery may be assumed to have occurred on the date of the last required signature.
  - d. "Mailed or otherwise delivered", means the documents have been placed in United States (or other Government) official postal channels, placed with a publicly recognized messenger service, or handed to the recipient. Placing documents in administrative services' mail or messenger channels is not sufficient. Special postal arrangements may be necessary to ensure that obligating documents processed at fiscal year-end are deposited in official mail channels before the close of the fiscal year.
  - e. An amount is not recordable as an obligation when supported only by a verbal order or agreement. A verbal order or agreement must be documented in writing and conform to the applicable provisions of this chapter before the obligation may be recorded. If goods are received and accepted, the receiving report may be used as the documentary evidence for recording the obligation up to the amount of such delivery.
  - f. The provisions of the document and the nature of the transaction involved must be carefully considered in determining when an obligation has been incurred and in what amount.
  - g. A procurement directive, obligation authority, administrative commitment document, citation-of-funds, or other document, which serves only to administratively reserve funds for specific use, does not constitute documentary evidence of an obligation.
  - h. A contractual document with provision for a cash discount to be taken for payment within a specified time shall initially be recorded as an obligation in the gross amount rather than at the net amount after deducting the anticipated discount.



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- i. The value of a contractual document with specific provisions for termination prior to performance without cost or liability to the Government is not recordable as an obligation until after the Government's right to terminate can no longer be exercised. The obligation is incurred at the time the Government can no longer cancel the contract without incurring a liability.
- j. Certain contractual documents provide that performance will begin only upon the occurrence of a future event. If the event is uncertain (e.g., enactment of the appropriation for a subsequent fiscal year), the obligation cannot be recorded until the actual occurrence of the event that causes the agreement to be binding. If the future event is certain (e.g., issuance of a notice to proceed to begin work on an already existing contract), the obligation will be recorded at the time the contract is executed, not when the notice to proceed is issued.
- k. The dollar amount of an obligation to be recorded for a contractual document payable in foreign currency shall be computed on the basis of the lowest available legal exchange rate on the date the contract is executed, unless the terms of the contract provide for the use of a different exchange rate. If there is a reasonable basis for expecting a change in the legal rate of exchange or if a change in the rate subsequently takes place, the obligation shall be based on the rate anticipated being in effect when payments are to be made under the contract. The obligation shall be reviewed quarterly and adjusted in accordance with current rate information.
- l. A signed, reproduced or certified true or confirmed copy of the document obligating NASA shall be retained in accounting files to support the obligation. Where purchase orders or other documents are prepared on a reproducible master, the reproduced signature is acceptable. Each signed or reproduced copy of the signed contract or modification intended to have the same force and effect, as the signed original shall be marked "Duplicate Original".
- m. When supplies are ordered utilizing automated procedures, the recording of the obligation may be based on a signed summary printout of the documents, provided other applicable requirements of this chapter are met. The printout shall be in auditable form, verified for correctness, and approved by an authorized individual.
- n. When, after proper authorization, an obligation is executed by a Center for another Center, which is responsible for accounting for the obligation, the performing Center shall provide the necessary documentation to the financial management office of the accounting Center in a timely manner so that the transaction can be promptly recorded.
- o. Written evidence that a valid obligating document exists is acceptable until a copy of the document as prescribed in subparagraph l. above is received. In such cases, immediate action shall be taken to obtain the required copy of the actual document. The actual obligating document should be in the possession of the certifying officer prior to payment.



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In any event, the document shall be in the possession of the Deputy Chief Financial Officer (Finance) prior to submission of the "Certification of Obligations", as of September 30, required by FMM 9391. Written evidence that the obligating document exists may be a letter, facsimile, email, or other written communication from the individual having physical possession of the valid obligating document, or a record of a telephone conversation with the person, signed by the individual receiving the communication. Information must be included to support a determination that a valid recordable obligation does exist. While specific details may vary, the following information should be included:

- (1) Number and type of obligating document,
- (2) Date of the last required signature on the obligating document,
- (3) Contractor's name and address,
- (4) Amount of the obligation,
- (5) Quantity and description of the supplies or services being procured,
- (6) Complete accounting classification, and
- (7) Statement that all required signatures have been obtained and delivery or mailing of the document accomplished.

## **9041-7 CONTRACTS**

Obligations for contracts shall be recorded as stated below. Types of contracts are discussed in the FAR.

### **a. FIRM-FIXED PRICE AND LEVEL OF EFFORT TERM CONTRACTS.**

An obligation shall be recorded when the contract is executed for the total amount stated.

### **b. FIXED-PRICE CONTRACTS WITH ECONOMIC PRICE ADJUSTMENT; PROSPECTIVE OR RETROACTIVE PRICE REDETERMINATION; INCENTIVE PROVISIONS.**

An obligation shall be recorded when the contract is executed for the amount of the fixed price stated in the contract or the target price when the contract includes an incentive clause, even if the contract contains a ceiling price in a larger amount. The amount recorded shall be increased or decreased by amounts provided in contract amendments.





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## c. **COST-REIMBURSEMENT CONTRACTS.**

Cost-reimbursement contracts include cost-no fee, cost sharing, cost-plus-incentive-fee, cost-plus-award-fee, and cost-plus-fixed-fee contracts. An obligation shall be recorded when the contract is executed for the amount of the total estimated cost or payment, but not in excess of the stated maximum liability (e.g., limitations on the Government's liability in a cost limitation or incremental funding clause), including fixed fee in the case of a cost-plus-fixed-fee contract, target fee in the case of a cost-plus-incentive-fee contract, and base fee plus an amount for award fee not in excess of the stated maximum fee in the case of a cost-plus-award-fee contract. The amount recorded shall be increased or decreased by amounts provided by contract amendments, or a unilateral revision of an award fee estimate made by the contracting office. Any fee awarded in excess of the target fee in a cost-plus-incentive-fee contract shall be recorded as an obligation at the time the determination to award the larger fee is mailed or otherwise delivered to the contractor. The amount of the obligation established for a cost-plus-award-fee contract shall be adjusted at the time the actual award is determined and the contractor notified. In any of these cases, if the contract is incrementally funded, the amount obligated shall always be the funded increments. (See FMM 9041-12a. (1)).

## d. **INDEFINITE-DELIVERY TYPE CONTRACTS.**

Indefinite-delivery type contracts include definite and indefinite quantity and requirements contracts. Where the quantity required under a contract is indefinite, the ultimate amount of the obligation is determined by subsequent orders; the amount of any required minimum order specified in the contract, however, shall be recorded as an obligation upon execution of the contract. An order in excess of the required minimum which does not have to be accepted by the contractor under the terms of the agreement and which is placed within the time period specified shall be recorded as an obligation when issued in the amount of the price stated in the order. An order in excess of the required minimum, which has to be accepted by the contractor under the terms of the agreement, shall be recorded as an obligation upon acceptance of the order in the amount of the agreed price. In the case of services, written evidence may be a consolidated periodic (at least monthly) listing of work orders issued to the contractor showing the estimated dollar amount of each.

## e. **CONTRACTS AUTHORIZING VARIATIONS IN QUANTITIES.**

Regardless of the variation permitted, an obligation shall be recorded when the contract is executed for the price of the quantity specified for delivery. The amount so recorded may be increased or decreased to reflect the quantity actually delivered and accepted.





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## f. **TIME-AND-MATERIAL, LABOR-HOUR, AND LETTER CONTRACTS.**

A time-and-material contract provides for acquiring supplies or services on the basis of direct labor hours at fixed rates (i.e. wages, overhead, general and administrative expenses) and materials at cost. A labor-hour contract is a variation of the time-and-material contract, except that the contractor does not supply materials. An obligation is recorded when the contract is executed for the amount of the total estimated cost or payment. The use of a letter contract requires advance Headquarters authorization. If authorized, the letter contract is signed by the contracting officer and mailed to the contractor for acceptance. The obligation is incurred for a letter contract when the contractor accepts NASA's offer by signing the contract and then mailing or otherwise delivering that acceptance to NASA. The obligations shall be recorded in the maximum amount for which the Government will be liable.

## g. **SOLICITATION PROVISIONS AND CONTRACT CLAUSES.**

A contract for an end item may contain a clause, which requires the selection, at a later date, of specific initial support requirements to maintain the end item during the initial phase. Contract items which require selection at a later date, ("definitization" or "provisioning") include spare parts, special tools, test and ground handling equipment, and training aids. The obligation for such provisioned items shall be recorded when evidenced by one of the following documents:

- (1) An exhibit setting forth the identity, quantity, and price of the items incorporated in the contract.
- (2) A signed provisioning order incorporating by reference the approved list, e.g., a production list, design change list, written order of items, etc., which sets forth the identity and quantity of the provisioned items ordered from the contractor pending incorporation in the contract. The provisioning order must state what constitutes final approval of the work to be performed or goods to be delivered. The amount obligated shall be the total estimated cost of listed items.

## h. **NOTICE OF AWARD.**

After bids are publicly opened, an award will be made. A notice of award is issued to be followed by the formal award. A notice of award may be a letter, telegram etc., which documents acceptance by NASA of the offer. If the offer (including any other document incorporated by reference) sets forth the terms which otherwise would be required in a formal contract, the offer may be accepted by a notice of award. If the acceptance is clear and unqualified, a binding agreement results. An obligation, in the amount in the offer, arises upon issuance of the notice of award; the offer and notice of award constitute the documentary evidence supporting the obligation.



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## i. **SMALL BUSINESS ADMINISTRATION CONTRACTS.**

For purposes of this paragraph, an agreement between NASA and the Small Business Administration (SBA) made pursuant to Sec. 8(a) of the Small Business Act (15 USC 631 et. seq.) and in accordance with the FAR 19.800 and the NASA FAR Supplement (NFS) 1819.8 shall be treated as a firm contract and will be recorded as an obligation in accordance with the criteria in subparagraphs a. through h. above, as applicable. The obligation amount can only include NASA appropriated funds.

## **9041-8 INTRAGOVERNMENTAL TRANSACTIONS**

An order for specific goods or services placed with another Government agency shall be recorded as an obligation in accordance with the following:

### a. **ORDERS PLACED WITH ANOTHER GOVERNMENT AGENCY ON A REIMBURSABLE BASIS**

Except for those orders prescribed in subparagraphs b. through d. below, a firm and complete order for goods or services placed on a reimbursable basis by NASA with another Government agency shall be obligated in the amount of the order when (1) accepted in writing by the performing agency or (2) when written acceptance cannot be obtained, but evidence is available that the order was placed by an authorized person and that the goods or services were, or are to be, delivered.

A major authority for interagency agreements is the Economy Act, 31 USC 1535 and 1536. An Economy Act agreement is recorded as an obligation as any other contract. Under 31 USC 1535, however, the period of availability of funds transferred pursuant to an Economy Act agreement may not exceed the period of availability of the source appropriation. For orders chargeable to those appropriations expiring in the current year and placed under the authority of the Economy Act, a deobligation is required at the end of the fiscal year to the extent that the performing agency has not incurred a valid obligation. If the order is not governed by the Act, the order constitutes an obligation equal to the work completed or contracts awarded by the performing agency.

### b. **ORDERS REQUIRED BY LAW TO BE PLACED WITH ANOTHER GOVERNMENT AGENCY.**

Certain orders are required by law to be placed with Government agencies and activities:

- (1) The Federal Prison Industries, Inc. (18 USC 4124).
- (2) The Committee for Purchase from the Blind and Other Severely Handicapped (41 USC 46-48c).
- (3) The Government Printing Office (44 USC 501, 502, 504 and 1121).



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## (4) The General Services Administration (34 Comp. Gen. 705)

The amounts of these orders shall be recorded as obligations when the orders are issued. Those obligations recorded against an expiring appropriation need not be decreased at the end of the fiscal year even though the performing agency may not have incurred supporting obligations under the order. All such orders must definitely authorize the performing agency to proceed with a particular task.

### c. **ORDERS INVOLVING DELIVERIES OF STOCK PROCURED FROM ANOTHER GOVERNMENT AGENCY.**

The recording of an amount as an obligation, where the order (other than one required by law to be placed with one of the agencies or activities listed in subparagraph (b) above) is placed on another Government agency for items procured and normally carried in stock by such agency, depends on the capacity in which the supplying activity functions with respect to the particular transaction (see 32 Comp. Gen. 436):

- (1) If the order involves common-use standard stock items that the supplying activity has on hand or order for prompt delivery at published prices, the obligation is incurred at the time the order is placed by the requisitioning activity.
- (2) If the order involves stock items other than those referred to in (1) above, the obligation is incurred by the requisitioning activity at the time of issuance of a formal notification from the supplying activity that such items are on hand or order and will be released for prompt delivery.
- (3) If the order requires execution of a specific contract by the supplying activity, the obligation is incurred by the requisitioning activity at the time the contract is entered into by the supplying activity.

### d. **ORDERS PLACED FOR A CENTER BY ANOTHER GOVERNMENT AGENCY.**

An order placed for a Center (ultimate beneficiary) by another Government agency chargeable to the ultimate benefiting Center shall be recorded as an obligation by the ultimate benefiting Center at the time the specific contract is entered into by the ultimate supplying activity which let the contract (see 31 USC 1535).

## **9041-9 PURCHASE ORDERS**

- a. A purchase order issued in accordance with FAR Part 13 (orders of \$100,000 or less for supplies or services not placed against an established contract or with Government services of supply) constitutes an obligation. A purchase order issued in accordance with NFS 1813.5, constitutes an obligation when issued if the purchase order accepts a binding written offer made by a vendor to sell specific goods or to furnish specific services at a specific price.



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- b. A purchase order-requiring acceptance by the vendor will be recorded as an obligation when evidence of written acceptance is received. Delivery of the item purchased will constitute acceptance, in lieu of written acceptance, to the extent that the delivery is accomplished during the period of availability of the appropriation or funding cited on the purchase order. If delivery is accepted subsequent to the period of availability, a new or current funding citation must be provided on an amended purchase order. An inadvertent payment from expired funds will be adjusted by transferring the charges to the correct fiscal year on a correction voucher.

## **9041-10 COMMUNICATION, UTILITY SERVICES, RENTS AND POSTAGE**

### **a. UTILITY SERVICES AND COMMUNICATIONS**

- (1) An obligation for recurring charges for utility services and communications (including Federal Telephone Service (FTS)) will be recorded each month or as required based on a written administrative determination of the estimated cost of the service that will be furnished during the month. The obligation will be adjusted on receipt of an invoice paid voucher or other documentary evidence indicating the need for changing the amount recorded.
- (2) An obligation for utility services or communications for which a specific contract is issued at a specified cost shall be recorded in accordance with FMM 9041-7.

### **b. RENTAL AGREEMENTS, LEASES, AND CAPITALIZED LEASES.**

The amount recorded as an obligation shall be based on the agreement or lease or on a written administrative determination of the amount due.

- (1) Under a rental agreement which may be terminated by the Government at any time without notice and without incurring any obligation to pay termination costs, the obligation shall be recorded each month in the amount of the rent for that month.
- (2) Under a rental agreement providing for termination without cost upon giving a specified number of days notice of termination, an obligation shall be recorded upon execution of the agreement in the amount of rent payable for the number of days notice called for in the agreement. In addition, an obligation shall be recorded each month in the amount of the rent payable for that month. When the number of days remaining under the lease term equals the number of days that advance notice is required for termination, no additional monthly obligation shall be recorded.
- (3) Under a rental agreement providing for a specified termination payment, an obligation amount shall be recorded upon execution of the agreement. In addition, an obligation shall be recorded each month in the amount of the rent payable. When the remaining rent payable under the terms of the agreement equals the amount of the obligation recorded for the payment specified in the event of termination, no additional monthly obligation shall be recorded.



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- (4) Obligations for a capitalized lease (see FMM 9257 for recording requirements) shall be recorded at the time of the lease's execution in the amount of the net present value of the Government's total estimated legal obligations over the life of the contract.

Obligations for operating leases shall be recorded at the time of the lease's execution in the total amount of lease payments specified in the agreement, or, if the agreement includes a cancellation clause, an amount sufficient to cover the lease payments for the first year plus an amount sufficient to cover the costs associated with cancellation of the contract. Under the latter circumstances, for each subsequent year, obligations shall be recorded in amounts sufficient to cover the annual lease payment plus any additional cancellation costs.

**c. POSTAGE.**

An obligation shall be recorded each month based on an estimate of the billing to be received and adjusted based on the actual billing received. If advance payment for penalty mail is required, the obligation shall be based on the advance billing. Stamps purchased shall be obligated at the time payment is made.

## **9041-11 COMBINATIONS OF DIFFERENT TYPES OF CONTRACTS OR AGREEMENTS**

Since a contract or agreement may include a combination of two or more of the provisions of different types of contracts or agreements, an obligation shall be recorded in accordance with the particular provision or element concerned. For example, one element of a contract or agreement may be recordable immediately while another may require further action or processing before the element may be recorded. The total amount to be recorded as an obligation shall be the sum of the amounts appropriate for each element.

## **9041-12 ADJUSTMENT OF ORDERS, AGREEMENTS, AND OTHER CONTRACTUAL DOCUMENTS**

**a. AMENDMENTS AND MODIFICATIONS.**

Adjustment of an obligation required by a contract amendment or modification shall be recorded as follows:



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## **(1) Incrementally Funded Contracts.**

An incrementally funded contract provides for performance within an estimated total cost and fee, and initial funding which is less than that total. This type of contract also provides that the liability of the Government is limited to the amount of funding incrementally placed on the contract. Thus the Limitation of Funds clause required by FAR 32.705-2(c) for cost reimbursable contracts and NFS 1832.705-270(a) for fixed-price contracts limits the amount to be recorded as an obligation under an incrementally funded contract. Each increment of funding added to the contract raises the liability of the Government and creates an obligation in the amount of the increase up to, but not exceeding, the amount that would be recordable as an obligation if the clause were not in the contract. Adjustments of obligations under incrementally funded contracts are subject to the following requirements and limitations:

- (a) An obligation may be recorded for the contract up to the amount of the total estimated cost and fee.
- (b) Incremental funding may be added to the contract and recorded as an obligation in any amount up to the amount of the total estimated cost and fee. Any change order issued under an incrementally funded contract, which adds funding to the contract, shall be recorded as an obligation upon issuance.
- (c) Unless the contract states otherwise, the amount of the funding increment is not related to any individual item in the contract.
- (d) At any point in time when incremental funding on the contract equals the total estimated cost and fee, the contract is no longer considered to be an incrementally funded contract; see provisions of subparagraph (2) (b) below.
- (e) During period(s) of continuing resolution or delayed release of full funds availability, an obligation shall be recorded when the contract is executed for the total amount stated.

## **(2) Non-incrementally Funded Contracts.**

- (a) An obligation recorded under a contract, which is not incrementally funded, shall be adjusted by the amount provided in a bilateral amendment or modification.
- (b) A written unilateral order or contract change (issued pursuant to a clause, such as the Changes-Fixed Price clause in FAR 52.243-1) which is binding on the contractor is a modification of the contract when issued. Any change in the total estimated cost of the contract will be indicated on a copy of the order for use in recording the increase or decrease in the amount of the previously recorded obligation. The amount of the order is subject to further adjustment for excess costs incurred as a result of termination.



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- (c) The maximum amount for which the Government will be liable under a letter contract may be increased by unilateral action of the Government. An obligation will be recorded when the contractor is notified that the stated amount of the Government's maximum liability has been increased.
- (d) The amount of recorded obligations shall be increased or decreased based on amendments or supplemental agreements issued for the correction of a mistake or formalization of an informal agreement authorized by determinations made pursuant to 50 USC 1431-1435.
- (e) An obligation resulting from a contingency clause or a clause involving excess costs incurred as a result of termination shall be recorded on the basis of the contractual document. If an amendment to the contract is not required, the obligation shall be recorded when the event fixing the amount of the liability under such contingency provision occurs and is supported by appropriate documentary evidence.
- (f) An adjustment due to a contract amendment or modification, even if made in a subsequent fiscal year, will be charged against the appropriation initially obligated when the contract was awarded, provided that:
  - 1 The amendment or modification was specifically authorized in the original contract, and, does not
  - 2 increase the quantity of items ordered, or,
  - 3 cover additional items of services, supplies, or costs not provided in the original contractual agreement, or,
  - 4 otherwise change the scope of the contract and result in a new procurement.

An adjustment of this nature may be based on a price redetermination, change in specification, or engineering or other change necessitating price adjustment. If a transaction is funded under a one-year appropriation, the adjustment will be made against the appropriation initially obligated. If funded under a no-year appropriation, the adjustment shall be charged or credited to currently available funds (see FMM 9230-4 for the program year to be charged). If the transaction is funded under a multi-year appropriation, however, the adjustment shall be charged or credited to the balance of the appropriation only for obligations properly incurred during the period of availability or to complete a contract properly made within that period of availability.





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If a contract, purchase order, or other obligating document is increased in a subsequent fiscal year by an order, supplement, or amendment which increases the quantity of items ordered or covers additional items of services, supplies, or costs not provided in the original contractual agreement, such increase shall be charged to currently available funds.(h) An obligation for a contingency item, as described in FMM 9041-7h. shall be evidenced by a signed copy of the order setting forth the specific service to be performed or item to be provided. In the event the order does not contain pricing information, the accounting copy shall be priced and serve as documentary evidence for recording of the obligation

## **b. ANTICIPATED PRICE REDUCTION.**

The amount of an obligation on a fixed price contract with an economic price adjustment, price redetermination, or incentive provision may be decreased unilaterally by NASA upon a written determination by the contracting officer that the anticipated liability under the contract can be reduced. A deobligation may also be processed based on a written joint agreement between the contracting officer and the contractor.

## **c. TERMINATION OF CONTRACTS AND AGREEMENTS.**

When a contract or agreement is terminated in whole or in part by the Government by a Notice of Termination to the contractor or other party, the amount obligated under the contract shall be adjusted to an amount sufficient to cover the settlement costs under the termination. Obligations shall not be decreased below the estimate of the contracting officer, based on the best evidence available, of the amount due as a result of the termination. As termination proceeds, the contracting officer shall periodically redetermine the Government's probable liability; based on appropriate documentation, the amount of the obligation should be adjusted.

## **d. FURNISHING OF ITEMS BY NASA TO CONTRACTORS.**

When a contract initially provides that certain items will be procured by the contractor and it later becomes necessary or advantageous for NASA to supply the items, a contract modification shall be executed to reduce the contract amount. The amount of the obligation shall be reduced accordingly. Loan of equipment by NASA to a contractor may require similar action.

## **e. OTHER LIABILITIES**

### **(1) Liability Arising Under an Indemnification Clause.**

A liability arising from an indemnification clause shall be recorded as an obligation only when the Government's liability is clearly established. If liability is admitted for a portion of the claim, an obligation is incurred only for that portion.



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## (2) **Liability Arising Under an Appeal from the Contracting Officer's Decision Under the Disputes Clause**

- (a) A contract dispute arising from a claim filed by the contractor must first be submitted to the contracting officer for consideration under the Contract Disputes Act of 1978 (41 USC 601-613). If the contracting officer denies the claim, a liability arising from an appeal filed by the contractor shall be recorded as an obligation only when the Government's liability is clearly established. The obligation will include simple interest on the amount of the claim finally determined to be owed by the Government and payable to the contractor. Such interest shall be at the rate established by the Secretary of the Treasury pursuant to Public Law 92-41, from the date the contractor furnishes to the contracting officer the written appeal pursuant to the disputes clause of the contract, to the date of (1) a final judgment by a court of competent jurisdiction, or (2) mailing to the contractor of a supplemental agreement for execution either confirming negotiations between the parties or carrying out a decision of a Board of Contract Appeals.
- (b) Although subparagraph (a) above states that interest was included with the obligation when the government liability had been established, interest shall be applied only from the date payment was due, if such date is later than the filing of the appeal; and interest shall not be applied for any period of time the contracting officer determines the contractor has unduly delayed pursuing available remedies before a Board of Contract Appeals or a court of competent jurisdiction.

## **9041-13 PERSONAL SERVICES AND BENEFITS**

An obligation for personal services and related costs shall be evidenced by payroll documentation or other written administrative determination. The obligation for personal services shall be based on personnel records and shall be recorded in the month the services are performed. In the event a payroll period covers portions of two calendar months, the proportionate amount accruing within each month shall be recorded as an obligation applicable to that month.

### **a. PERSONAL SERVICE CONTRACTS.**

The obligation recorded in each month shall be the estimated amount earned during that month under the provisions of the contract.

### **b. CIVILIAN EMPLOYEE'S SALARIES.**

The obligation recorded in each month shall be the gross amount earned by the employees during that month.



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**c. ACCRUED ANNUAL LEAVE.**

Accrued annual leave shall be recorded as an obligation in the month the employee terminates employment. The leave will not be recorded, as an obligation until the leave becomes due and payable as terminal leave.

**d. CONTRIBUTIONS FOR FEDERAL EMPLOYEES' GROUP LIFE INSURANCE, FEDERAL EMPLOYEES' HEALTH BENEFITS, FICA TAXES, AND CIVIL SERVICE AND FEDERAL EMPLOYEES RETIREMENT SYSTEMS.**

The obligation recorded for each of these items in each month shall be the estimated liability incurred during the month.

**e. SEVERANCE PAY.**

The obligation recorded each month shall be the gross amount due former employees for that month. Severance pay is recorded as an obligation of the pay period covered, on a pay period basis, as pay is earned.

## **9041-14 PERSONNEL DETAILED TO NASA ON A REIMBURSABLE BASIS**

**a. MILITARY PERSONNEL DETAILED TO NASA ON A REIMBURSABLE BASIS.**

The obligation recorded in each month shall be the amount earned and reimbursable to the Department of Defense (DOD) based on the application of a published standard rate and other costs incurred by the Department of Defense, which are reimbursable by NASA.

**b. CIVILIAN PERSONNEL DETAILED TO NASA ON A REIMBURSABLE BASIS.**

The obligation recorded in each month shall be the amount of salary earned and related fringe benefit contributions, which are reimbursable to the other agency, and other costs incurred by the other agency which are reimbursable by NASA under the specific terms of the agreement for the assignment.

**c. See FMM 9041-15a(2) below for travel obligations.**



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## **9041-15 TRAVEL AND TRANSPORTATION**

### **a. TRAVEL AND RELATED TRANSPORTATION.**

When authorized in accordance with NPD 9710.1P and FMM 9700 (NASA Federal Travel Regulation Supplement (NFTRS)), an obligation shall be recorded for temporary duty (TDY) travel or permanent change of station (PCS) travel in the full amount of the estimated costs. As a general rule, however, estimated obligations tentatively recorded for transactions within the year shall be placed on an actual expense basis at the end of the fiscal year, excluding limited exempted transactions. Obligations for TDY and PCS travel, transportation, and other allowances are subject to the following conditions:

- (1) Travel orders for temporary duty travel shall normally be executed and approved no earlier than a month prior to expected travel commencement. However, in those instances where ticket purchases are made to take advantage of special group discounts, reduced rates, etc., the orders may be executed sooner. Estimated obligations will be recorded when the travel orders are approved. At fiscal year-end, the rules contained in paragraph b. below shall be followed to insure that only obligations applicable to the current fiscal year are recorded.
- (2) Estimated obligations for permanent change of station allowances for travel, transportation, temporary quarters, residences transactions, relocation services relocation income tax allowance, movement of household goods, and miscellaneous expenses will be recorded against the appropriation available within a month of issuance of NASA form 1450 (Authorization Change of Official Station). The same basis should be utilized to record reimbursable PCS costs to the DOD for military personnel detailed to NASA.
- (3) An obligation shall not be recorded for amounts advanced to an employee to cover the costs of travel since these amounts have already been obligated under provisions in FMM 9041-15a(1).
- (4) The estimated obligations for TDY and PCS travel which are recorded should be promptly adjusted to actual obligations when travel vouchers, airline and car rental bills, bills of lading, relocation services contract billings or any other substantiating documentation are paid. Obligations should also be adjusted after each relocation income tax allowance transaction is calculated and paid.

### **b. ADJUSTMENT OF TDY TRAVEL OBLIGATIONS AT FISCAL YEAR-END**

Prior to submission of the "Certification of Obligations" report required by FMM 9391, the following fiscal year (FY) adjustments should be made:

When the itinerary for authorized temporary duty (TDY) travel covers two fiscal years the funds shall be obligated as follows:

#### **(1) Estimated cost**

- (a) The current FY funds will be obligated for the portion of the estimated cost that is anticipated to be performed in the current FY.



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- (b) The subsequent FY funds will be obligated for the portion of the estimated cost that is anticipated to be performed in the subsequent FY.
- (c) Exception; Transportation Costs (i.e. Airlines, Automobile rentals). The cost of transportation will be obligated against the FY funds in which the travel commences.

## (2) Mileage cost

- (a) The current FY funds will be obligated for mileage cost, when the travel begins at a time to enable the traveler to complete a continuous journey before the close of the current FY.
  - (b) The succeeding FY funds will be obligated for mileage cost, when the travel begins near the end of the current FY and the major portion of the travel is performed in the succeeding FY.
- (3) Per diem and other authorized expenses (e.g., taxi hire, official telegrams, other public transportation and baggage charges paid by traveler) shall be obligated against the appropriation current at the time the costs are anticipated to be incurred.

## c. TRANSPORTATION OF GOVERNMENT PROPERTY AND SUPPLIES

- (1) An obligation incurred for transportation of Government property and supplies shall be evidenced by a bill of lading issued to a commercial carrier, other contract for commercial transportation or rental of a truck, or an intra-governmental order for specific transportation. The obligation shall be promptly recorded in the amount of the estimated cost of the transportation to be furnished based on established rates as transactions occur and adjusted on receipt of evidence of payment of the final bill.
- (2) The issuance of a bill of lading by the transportation officer constitutes the obligating act. The cost of the transportation is an obligation of the fiscal year in which the transportation officer issues a bill of lading to a transportation service provider (TSP). Transportation of property and supplies is an obligation of the same fiscal year in which the property and supplies are purchased if the transportation is included in the purchase price; that is, when the purchase is being made f.o.b. destination. As a general rule, if transportation charges are, or will be, paid separately by the Government, the transportation is an obligation of the fiscal year in which the transportation begins or a bill of lading is issued. This rule also applies if transportation charges are prepaid by the vendor and billed as a separate item on the invoice, unless the contractual document clearly indicates that the purchase is being made on a delivered basis.

## 9041-16 MISCELLANEOUS TRANSACTIONS

### a. GRANTS, SUBSIDIES, AND CONTRIBUTIONS.

The amount of a grant, subsidy, or contribution shall be recorded as an obligation when supported by documentary evidence as follows:



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A grant requiring the grantee to perform a service or deliver an item shall be recorded when consummated by mutual agreement. Usually, a grant is signed by a grants officer and mailed to the grantee for acceptance. The obligation is incurred when the grantee accepts or approves NASA's offer by signing the grant document and mailing or otherwise delivering the acceptance to NASA.

A grant, subsidy, or contribution not proceeded by a contract or agreement shall be recorded as an obligation at the time payment is made.

## b. **AWARDS.**

A cash award shall be recorded as an obligation in the accounting period in which an authorized official approves the award. A copy of the approval document, or the document informing the recipient of the award, shall be used to support the obligation.

## c. **LIABILITY UNDER PENDING LITIGATION.**

The estimated amount of a legal liability shall be recorded as an obligation if the pending litigation, for a definite liability of payment, is for the purpose of determining the amount of the Government's liability. The estimated loss associated with a probable contingency may be a specific amount or a range of amounts. If some amount within the range appears to be a better estimate than any other amount within the range, that amount shall be recorded. If no amount within the range appears to be a better estimate than any other amount, however, the minimum amount in the range shall be recorded. See GAO Policy and Procedures Manual, Title 2.

The estimated cost of land acquisition under condemnation proceedings shall be recorded as an obligation at the time the Attorney General is requested to institute proceedings. The obligation shall be supported by a written administrative determination of the estimated amount of liability that will result from the litigation. In the case of a condemnation suit where a declaration of taking is filed after the issuance of an administrative determination of liability, the estimated obligation originally recorded shall be adjusted to the amount set forth in the declaration of taking. Any deficiency judgment entered subsequent to the declaration of taking shall be recorded as an obligation of the appropriation current at the time the initial obligation was recorded since this is merely a final adjudication of the rights of the parties and does not create a new obligation (34 Comp. Gen. 67 and 35 Comp. Gen. 185).

## d. **OTHER LEGAL LIABILITIES.**

The following types of liabilities shall be recorded as obligations when supported by appropriate documentary evidence:

- (1) **Tort Claim.** An obligation shall be recorded for the amount involved on the date the tort claim voucher is signed by an authorized NASA designee or, in the case of a suit settled out of court, by the Attorney General on the date of such settlement (27 Comp. Gen. 237). The obligation shall be recorded in the amount finally approved and certified for payment. (For NASA tort claim regulations see FMM 9633-9.)



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- (2) **Other Claim.** An obligation shall be recorded upon a determination of liability by appropriate legal authority.
- (3) **Other Liability.** An obligation shall be recorded for any other liability based on a disbursement document, which was not preceded by a recorded obligation.

## e. **TRANSACTIONS FINANCED THROUGH ESTABLISHMENT OF TRANSFER APPROPRIATION ACCOUNTS**

A transfer of appropriations using a Non-expenditure Transfer Authorization (SF 1151) to another Government agency for obligation and disbursement does not constitute an obligation at the time of the transfer. The Government agency that receives the transfer appropriation is required by Part I, Section 20.4 of the Office of Management and Budget Circular A-11 to report charges and credits in accordance with the guidance provided by the circular.,

In addition, the receiving agency must submit an Apportionment and Reapportionment Schedule (SF 132) to the Office of Management and Budget reflecting the transferred amount, the apportionment or fund title, and the symbol for the requested apportionment.

## f. **ALL OTHER TRANSACTIONS**

For other procurement activity not previously discussed in this FMM, for which an obligation will be recorded and reported, please refer to the rules, regulations, guidance, directions, and instructions included in the NASA FAR Supplement Parts 1800-1872. The NASA FAR Supplement is the Agency's primary document and source of information for all NASA procurement activity. The NFS works in conjunction with the Federal Acquisition Regulations System that sets forth basic policies and general information that includes purpose, authority, applicability, issuance, arrangement, numbering, dissemination, implementation, supplementation, maintenance, administration, and deviation. For transactions that did not originate in or by procurement and an obligation will be recorded as an obligation, must be supported by all available and pertinent documentary evidence or other written documentation as referenced in section 9041-6 (o) of this FMM. If required, an obligation may be adjusted upon the receipt of an invoice, paid voucher, or other appropriate documentary evidence indicating the need for changing the obligation amount recorded.

If necessary, an obligation shall be recorded each month based upon an estimate and then adjusted upon receipt of appropriate documentary evidence that reflects the actual for the month.





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## **9041-17 DEOBLIGATIONS**

A deobligation cancels or reduces a previously recorded obligation. In general, organizations and officials responsible for initiating the recording of obligations are also responsible for promptly initiating deobligation actions when the original obligation needs to be reduced or cancelled, or when the requirements for recording obligations in this Chapter are no longer met. No action shall be taken to reduce or cancel obligations below an amount legally owed.

Reductions and cancellations of obligations or purchase orders shall be supported by appropriate documentation. An official document such as a contract modification or a paid voucher annotated and initialed to reflect a discount taken provide sufficient support. If an official document is not used to initiate the transaction, a separate, signed justification, in sufficient detail to fully explain the rationale shall be prepared, signed and retained as support.

A deobligation is processed as a reduction to the value of the particular procurement request document that provided funding for the award of a purchase order. Deobligations of a purchase order initiated outside the DCFO (F) office shall be signed and dated by the requestor and Program or Project Managers affected by the action and initialed by the DCFO (F) reviewer.

For transactions reducing obligations which are initiated in the DCFO (F) office, such as those to correct data entry errors, the DCFO (F) shall ensure there is an adequate audit trail to document the rationale for the transaction and relevant documents shall be initialed by the staff member entering the transaction. Where a deobligation is made to close out a contract based upon a final voucher, a Procurement official shall annotate the voucher or other document to indicate approval. All documents supporting deobligation transactions shall be retained in the contract file maintained by the DCFO (F).